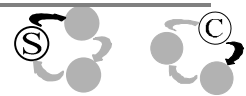


APPENDIX B (PERFORMANCE MEASUREMENT CONTINUED)

Once proposals are approved and funded and the project is initiated, the Control phase begins. During this phase, proposal teams evaluate project performance and submit quarterly progress reports to determine if schedules and costs are on target. Quarterly Execution Reviews enable the Department to revalidate the planning assumptions made on capital projects that have already been selected for funding. Earned Value Analysis (Appendix I) is a major component of this phase. However, the identification of performance measurements is also crucial to successful implementation of existing investments as well as decision-making on future investments.

Overview of Performance Measurement

The *Government Performance Results Act of 1993* requires each agency to submit an annual performance plan to the Office of Management and Budget (OMB). The plan contains the annual performance goals the agency will use to gauge its progress toward accomplishing its strategic goals and identify the performance measures the agency will use to assess its progress. The Agency establishes a current baseline that it uses to determine whether an acquisition meets the Congressional standards of achieving at least 90 percent of cost, schedule, and performance goals. (*OMB Circular A-11, Section 300*) Performance measures are:

The assessment of effectiveness and efficiency of an investment in support of the achievement of an organization's mission, goals, and quantitative objectives through the application of outcome-based, measurable, and quantifiable criteria, compared against an established baseline, to activities, operations, and processes.

Performance measurement is the process whereby an organization establishes the parameters of performance within which programs, projects, and acquisitions are obtaining the desired results in support of mission goals. These parameters include:

- The "As-Is" or baseline condition, which is the performance level before initiating the project;
- The current level of performance achieved by the project effort;
- A benchmark, which is the level of performance observed from best practice studies;
- The "To-Be" or target for the desired level of performance, frequently based on benchmarks; and
- The threshold, which is the level of performance below which the project is no longer achieving acceptable results.

Efficiency and Effectiveness

Performance should be evaluated using two criteria: effectiveness and efficiency.

Effectiveness demonstrates that an organization is doing the right things, while **efficiency** demonstrates that an organization is doing things optimally. Some identifiers of each include:

APPENDIX B (PERFORMANCE MEASUREMENT CONTINUED)

Effectiveness	Efficiency
Has the organization achieved its mission and goals?	Do obligation rates match the annual budget?
Are end users of the products/services satisfied customers?	Was the project completed on time and on budget?
Was the work of high quality?	How much of the product/service was produced? How many FTEs were required?

Developing Performance Measures

There are four major steps in developing project performance measures (the internal baseline):

1. Identify the project, its mission and objectives, the external, functional baseline, the benchmark, and the project target positions.

- What is the project name and who are the users and customers?
- What kind of project is it and what are the work efforts?
- What are the mission and objectives?
- What are the functional objectives?

2. Define baseline performance measures.

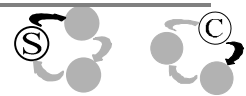
- What are the benefit measures (e.g., adaptability, communicability, process time, speed, turnaround, understandability)?
- What are the cost measures (e.g., number of investment dollars needed to reach a milestone or the investment required to perform a function)?
- What are the schedule measures (e.g., receipt of deliverables required, design reviews and sign-offs, achievement of initial project capability, completion of construction or installation)?

3. Validate feasibility of performance measures.

- What data are necessary for calculation of the performance measure, when are the data collected, and who collects the data?
- How to verify and validate the results to ensure that they are accurate?
- What is the cost of data collection?

4. Finalize performance measurement baseline and define a methodology to track “external” project results.

- Ensure set of performance measures determines the desired outcomes.
- Gain consensus for the performance measurement baseline.
- Establish data collection efforts to obtain periodic values of the measures in the baseline.

APPENDIX B (PERFORMANCE MEASUREMENT CONTINUED)

Earned Value Analysis (EVA) is one tool that can be used to track the progress of a project's schedule and budget. If the project experiences schedule overruns, then this will be reflected in the EVA. Consequently, the project manager can make decisions to correct the schedule as the problems arise. Utilizing tools like EVA will help control project costs and schedules and hedge against the same risks in future projects. (*Appendix I* contains a guide and template for EVA)

Accurately identifying and tracking performance measures will increase control of project outcomes as well as improve overall project management. In addition, this process will improve future project selection by understanding what types of projects will positively impact the targeted performance goals.

Data Sources

Data sources for VA performance measures can be found in:

- Department of Veterans Affairs Strategic Plan
- Administration Strategic Plans
- VA Departmental Performance Plan, Volume 6

